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C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 000711

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EEB FOR A/S SULLIVAN  
SPECIAL ENVOY FOR EURASIAN ENERGY GRAY  
ENERGY COORDINATOR MANN  
EUR FOR DAS BRYZA

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TAGS: [ENRG](#) [EPET](#) [IR](#) [TU](#)  
SUBJECT: TURKEY'S BIG PLANS TO DEVELOP IRANIAN GAS

REF: 07 ANKARA 1809

Classified By: Economic Counselor Dale Eppler for reasons 1.4 (B) and (D)

¶1. (C) Summary: Energy Minister Guler's informal advisor Faruk Demir told us April 3 that Turkey plans to develop Iranian South Pars gas for Turkish and European consumption, and expects to obtain financing and Western partners to develop the field and construct a new pipeline to Turkey. Turkey will seek to fill the pipeline with its own and European-developed Iranian gas and, perhaps, Qatari gas. This new pipeline might also tie in to Turkey's proposal to transit gas from Turkmenistan through Iran. Demir said an Iranian delegation will come to Ankara "soon" to ink the deal. We remain skeptical that whatever is signed will represent a final agreement. However, high-level GOT statements make it clear that Iranian gas continues to play an important role in Turkey's thinking on future energy security. Financing will be crucial for this deal, and difficult to find in the current global environment for a project likely to trigger U.S. sanctions. End summary.

Turkey will sign a deal for South Pars development

¶2. (C) An Iranian delegation plans to visit Ankara soon to sign a follow-on agreement to the July 2007 MOU regarding Turkish investment in Iran's oil and gas sector (reftel). According to Faruk Demir, Energy Minister Guler's informal advisor, the two sides will sign an agreement that covers upstream investment in Iran's South Pars field and construction of a dedicated pipeline to carry gas to Turkey.

¶3. (C) Turkish Petroleum Company (TPAO) likely will seek Western partners to help develop the South Pars field. In particular, Demir mentioned Petrobas as a possible partner. (Note: Petrobas recently purchased licenses and is working with TPAO to explore in the Black Sea's deeper waters. End note.) TPAO also likely will seek financing for its exploration work in Iran. Despite international sanctions against the Iranian regime, Demir didn't think finding financing for the project would be a problem. He cited the many European companies already working in Iran. We mentioned they may be using their own capital, rather than financing. (Note: Two winners of recent Turkish privatization deals have run into financing problems as the global credit crunch hits Turkish banks and foreign lenders

remain wary of expanding lending to Turkish companies. End note.)

#### New Turkey-Iran pipeline seeking additional gas

14. (C) As part of the deal with Iran, Turkey plans to construct a new, dedicated pipeline to bring Iranian gas to Turkey and Europe. Turkey is considering forming a joint venture with an Iranian company to handle the construction and operation of the line. While declining to specify the exact size of the pipeline, Demir said it would be large enough to accommodate third party access and that they envisioned other European companies like OMV or EGL using this new corridor from Iran to Turkey and on to Europe.

15. (C) In a separate meeting with BOTAS (State-owned oil and gas company) Board Member Osman Goksel, we learned that Turkey is considering seeking additional gas sources from Qatar in order to fill the new gas transit pipeline from Iran. Such a project would entail a connector line from South Pars to Qatar's North Pars. Goksel acknowledged that Qatar gas may already be "spoken for" in the form of LNG contracts.

#### New pipeline facilitates transit of Turkmen gas?

16. (C) In addition to investment, high-level GOT officials continue to consider transit of Turkmen gas through Iran as part of Turkey's energy strategy. The construction of this new line may be a part that strategy. We know that PM Erdogan queried Turkmen President Berdimuhamedov about transiting Turkmen gas through Iran, a query which apparently received a negative response. In addition, Foreign Minister

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Babacan, speaking at the Bucharest NATO summit, said Iranian gas could be used for the Nabucco pipeline.

17. Comment: Doing business with Iran is not easy and we don't believe that this deal will be wrapped up with only one additional visit to Ankara. The Turks acknowledge the difficulty of completing a deal with Iran but still see Iranian gas as important to their future energy security. The Turks argue that taking on the responsibility for gas development and transit themselves will solve the problem of Iran's unreliability as a gas exporter. They do not seem to have thought through the financing problems they will face in trying to put this deal together, both from global conditions and USG sanctions on oil and gas investments.

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